

(In millions of dollars)

	Budget authority	Outlays	Revenues
Addendum: Revenues, 2000–2004:			
House current level			7,556,473
House budget resolution			7,399,759
Amount current level over budget resolution			156,714

Note: Estimates include \$1881 million in budget authority and \$7,258 million in outlays for the funding of emergency requirements.
Source: Congressional Budget Office.

JULY 30, 1999, IS TILLAMOOK DAY

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 1999, the gentlewoman from Oregon (Ms. HOOLEY) is recognized for 60 minutes.

Ms. HOOLEY of Oregon. Madam Speaker, imagine a land where cows outnumber the people two to one, where the high school football team is aptly named the Cheesemakers, and where world famous cheddar cheese is produced by a cooperative of dairy farmers, many who have passed that skill on from generation to generation.

Such a place exists in a small Oregon coastal county named Tillamook. This 35,000 acre region is peppered with approximately 150 family farms that supply fresh milk to the Tillamook County Creamery Association, which in turn produces award-winning Tillamook cheese. It also markets butter, sour cream, yogurt, and ice cream. It was founded in 1909. The Tillamook County Creamery accounts for one-third of Oregon's dairy industry.

Swiss settlers looking for an ideal location to raise dairy cattle discovered Tillamook in 1851. The name Tillamook is a native American name meaning land of many rivers, which is especially appropriate since five rivers feed into the Tillamook Bay.

The region's climate is cool and wet, averaging 80 inches of rain annually, but it is this unique environment that allows cows to graze at least 8 months each year on natural grass in open pastures, resulting in exceptionally sweet and rich milk, the cornerstone of Tillamook cheese.

Superior milk, combined with Tillamook's unique cheese culture recipe, traditional cheddaring method, and natural aging process, enables the Tillamook County Creamery to guarantee its benchmark standards for its award-winning premium cheese.

The Tillamook County Creamery association takes pride in producing blue ribbon cheese, and firmly believes that quality cheese begins in a quality location, a place where cows still roam the open fields.

Oregon is proud of the excellence and tradition the Tillamook County Creamery Association has exemplified over the past 90 years. Tillamook has been a leader locally and nationally in enhancing the visibility of Oregon's dairy industry.

The Tillamook County Creamery is one of Oregon's most popular tourist

destinations, drawing visitors from around the globe; so exemplary that Oregon's governor, Governor Kitzhaber, has proclaimed today, July 30, 1999, to be Tillamook Day.

I urge all of my colleagues and the Nation to join me in observing Tillamook Day. If you are ever in Oregon, be sure to come and visit the factory and see how Tillamook's famous cheese is made.

I am proud to represent Tillamook County and the Tillamook County Creamery, and I want to congratulate them for 90 years of operation in making America's best cheese.

THE TAX BILL AND OUR TRADE RELATIONSHIP WITH THE PEOPLE'S REPUBLIC OF CHINA

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 1999, the gentleman from California (Mr. SHERMAN) is recognized for 60 minutes as the designee of the minority leader.

THOUGHTS FOR THE PEOPLE OF ATLANTA

Mr. SHERMAN. Madam Speaker, our hearts go out to the people of Atlanta, especially the families of the dead and the wounded. For the next few weeks, our hearts will be troubled by the constant questions: Why? What could have been done? Frankly, I do not have any answers.

For this reason, I will ask Members to indulge me, because I came to the House to speak about other subjects, even though, as much as we would like to concentrate on the fiscal subjects that I would like to address, our hearts will still be with the people of Atlanta.

Madam Speaker, I have come to the House rather hurriedly. I became aware just a few minutes ago that I would be the designee of our side to speak for 1 hour, so I will go through my notes in an effort to comment on the tax bill that recently passed this House, and which I hope will be radically changed by the conference committee before it is resubmitted here.

Then, time permitting, I would like to talk about our trade relationship with the People's Republic of China, because when the House returns after the August break, we may be confronted with a major decision to be made with regard to whether to grant permanent most-favored-nation status or farm trade relations to the People's Republic of China.

Focusing first on the tax bill, I would like to focus on two things: First, the

content of the bill. So many speeches have been given on this floor talking about the size of the bill, and I do want to address that.

But there are many more differences between the Democratic position and the Republican position than their bill is three and one-half times the size of ours. Because when we look at the content of the Republican tax bill and to whom it grants relief, then we will see major differences in philosophy.

□ 1515

Madam Speaker, I spent over 20 years as a CPA, as a tax attorney, and as a tax court judge. I know tax fraud when I see it. The statements made in support of the Republican tax bill rise to the level of tax fraud.

We are told that we are giving people their money back. Yet, we take money from working men and women and provide in this Republican tax bill huge tax breaks to the rich and the special interests.

At least a dozen speakers have risen on this floor to claim that the Republican tax bill eliminates the marriage penalty; and, yet, it provides only minor relief. We are told that it provides tax cuts for working families, but it gives only a few crumbs to those in the bottom two-thirds of income in this country. It is a bill that we are told provides for school construction; and, yet, it provides very little. Likewise, with providing incentives for research.

Madam Speaker, Winston Churchill once remarked in talking about the pilots who saved Britain from the Nazi bombers, "never have so many owed so much to so few." If we enact the Republican tax bill, then it will be said of us as a people "never have so many given so much to so few", because we are asked, as a people of over a quarter billion in number, to give huge tax relief to the top 1 percent of our population.

I see that I am joined by the gentleman from Texas (Mr. TURNER) who would also like to talk about the tax bills that have recently passed this House.

Madam Speaker, I yield to the gentleman from Texas (Mr. TURNER).

Mr. TURNER. Madam Speaker, I want to join with the gentleman from California (Mr. SHERMAN) on this hour of debate, this time that is set aside at the end of the day, to talk about the issues facing us.

I would like to spend just a moment addressing the tax cut proposal that was before the House in the last few days.

The Republican tax message is one cannot trust the Congress to act responsibly with the surplus. They say get the money out of town before it even arrives here yet. It is a little bit ironic to think their theme is one cannot trust the Congress to manage the money wisely when, in fact, the last time I checked, they were in the majority in this House.

Their bill spends a trillion dollars, giving a \$794 billion tax cut that is based on a future guesstimate of a trillion dollar on-budget surplus that is so far in the future that, if one looks at the tax cut year by year over the next 10 years, the tax cut planned in that \$794 billion for next year is only \$5 billion, six-tenths of 1 percent of the total tax cut.

The Federal Government, as my colleagues know, ran annual deficits for 29 years straight and ran up a \$5.6 trillion national debt. The annual interest on that debt exceeds the annual spending, if one can believe this, on all of national security.

The interest on the national debt takes 25 percent of all individual income taxes collected by the Federal Government every year.

Do my colleagues not think that we could be disciplined enough just to run one true budget surplus before we spend what we do not even have yet? If a business had borrowed money from a bank to operate for 29 years straight and, for the first time in 29 years, it showed a small profit, would the business declare a dividend to the stockholders; or would it try to pay down that huge debt they had accumulated? I think the answer is obvious.

Last week, the House had a historic opportunity to do what every businessman or woman, every family in America would do when faced with the choice of paying down debt or passing on that debt to our children, our grandchildren.

By a margin of 9 votes, this House defeated a responsible Democratic alternative that was designed to ensure that we had a reasonable tax cut while preserving Social Security and Medicare. We even had on the floor of the House a motion to recommit that provided that 50 percent of the on-budget surplus would go to paying down the debt, 25 percent for tax cuts, and 25 percent for priority spending needs, such as Medicare and Social Security.

Every Democrat on the floor of this House voted for that responsible alternative. Only one Republican joined us. All the remainder voted against that alternative.

I ask, where have all the fiscal conservatives in the Republican Party gone? Fiscal conservatives do not spend money that we do not even have

yet. Fiscal conservatives do not ignore the advice of the Federal Reserve Chairman, Alan Greenspan, who has said over and over again before committees in this House that the best use of the surplus is to pay down debt.

Fiscal conservatives do not gamble with our economic security, our health security, or our retirement security. Fiscal conservatives understand that reducing the national debt lowers interest rates. For example, a 2 percentage point reduction in interest rates on the purchase of a \$90,000 home means a savings of almost \$1,500 a year in mortgage payments for American families. That is \$1,200 more than a family with an income of \$50,000 a year would get from the Republican tax cut plan. That family, under their plan, only gets \$300 a year.

Fiscal conservatives do not gamble with our economic security. They understand that our health security, our retirement security, our economic security is the important thing that must be preserved by the Congress.

Finally, fiscal conservatives do not pass on debts to their children and their grandchildren.

I believe we can have reasonable tax cuts over the next 10 years, given to people who really need the relief: working families and small business. These are the folks who have not yet fully participated in the booming new economy. These are the folks who live in rural America, the folks who live in the inner city.

In today's economy, tax cuts should not be aimed at Wall Street, but they should be aimed at Main Street. But an equally important priority for this Congress is to pay down that \$5.6 trillion national debt, to save Social Security, to save Medicare for our children.

Let us adopt a fiscally responsible tax reduction plan that shares the on-budget surplus, 50 percent to debt reduction, 25 percent for tax relief, and 25 percent to save Social Security and Medicare.

Mr. SHERMAN. Madam Speaker, the gentleman from Texas (Mr. TURNER) says it well. Since he has focused on the fiscal irresponsibility of the Republican tax cut, I would like to echo some of the things he had to say.

The most curious thing is that the Republican majority has come before us and agreed on what the best policy would be. They have agreed with Alan Greenspan that the best thing we could do is save the lion's share of the surplus, adopt only small tax cuts, and pay off the national debt. They admit that is the best economic policy. They admit that that is what is best for America. Why will they not do it?

They come before us and say that America, the best Nation in the world, cannot have the best economic policy, that we are congenitally unable to use funds to pay down the debt; that if the money is not used for tax cuts, it will be squandered and wasted.

Well, I think America is the best country, and it deserves a Congress that will adopt the best economic policies. If the Republicans feel that they are congenitally unable to be fiscally responsible, then the least they could do is get out of the way, retire, and endorse the Reform party candidate or the Independent candidate or even the Democratic candidate from their district who will come here and do what both sides of the aisle have agreed is the best policy for this Congress; and that is to use the vast majority of the surplus to pay down the national debt.

The gentleman from Texas illustrates it well when he talks about the importance of fiscal responsibility. He talks about a \$90,000 house. Out in extremely expensive Los Angeles and Ventura Counties, we can simply double those figures. Virtually every working family in my district that owns a home would save double or triple if they could reduce their interest rate by 1 or 2 percent as compared to the crumbs of tax relief found at the edges of this Republican tax bill.

Yet, we are told by a Republican majority that they cannot stop themselves, that the Republican majority must be made up of self-admitted spendaholics. Perhaps the undertow of their comment is the Republican majority will not be a majority very soon. One way or another, they are telling us that the Congress of next year and the year after somehow will not be able to pursue a fiscally responsible policy.

I am confident that, with gentlemen like the gentleman from Texas and men and women on this side of the aisle exercising fiscal responsibility, that we will be able to do what is politically difficult but what we have shown ourselves capable of doing in the last 2 years; and that is to confine spending, to avoid tax cuts we cannot afford, and to run a government surplus.

Think back. I know the gentleman from Texas and I came to Congress in the same year, 1997. I served on the Committee on Budget, and we came out with a plan adopted by this House. We said, by 2002, the budget will be balanced. We could hear the laughter, the loud laughter from the press galleries behind me. They were occupied at the time, with people who giggled at the prospect that the 1997 budget agreement would lead to a balanced budget by the year 2002. In fact, it led to a balanced budget in 1999, in fact, a significant surplus in 1999.

So this Congress has, in the last 2 years, shown it can be fiscally responsible. Now we need a tax plan that is based on the best economic policy, not one that assumes the people of this country cannot have a Congress that is as good as they are. They know that the best use of these funds is to pay down the debt.

Now, among the reasons it is the best use of funds is that it allows us to stop

paying interest on the debt. The Republican tax cut of over \$800 billion over the first 10 years, \$3 trillion in the second 10 years, those figures just reflect the cost of the tax cut. We have to add in the interest on the national debt that we will have to keep paying because, under the Republican plan, we cannot pay down the debt. That interest over the next 10 years will be on the order of another \$150 billion.

Imagine what we could do if we could pay off the debt, stop paying interest on the debt, and have interest rates that reflect the fact that Wall Street and Main Street know there is fiscally responsible government here in Washington.

□ 1530

Instead, we are asked to adopt a tax plan which will quickly erode the tenuous faith Americans have that we have our fiscal house, in order in this House.

I should point out both to those on our side of the aisle that have thought of a number of government programs they think should be funded, and to all of the little tax incentives and giveaways built into the Republican plan and those people who voted for it, that fiscal responsibility will do more for the poor than 50 great society programs, and fiscal responsibility will do more for business than 50 special tax breaks. Because if we can take the Federal Government out of the capital markets, then all of the money that is available for investment, instead of being used to buy T-bills and T-bonds to finance Federal spending, can be available for private investment. That means a continuation of the economic expansion. It means people will find that when they go to borrow money for a new car or a new home those funds are available.

I can understand the desire to pass out tax breaks to wealthy interests. I can certainly understand the desire to provide special programs for those in need, but first and foremost we need to pay down the national debt.

At this point, I would yield to the gentleman from Texas (Mr. TURNER).

Mr. TURNER. I thank the gentleman for yielding, and I would like to engage the gentleman in a discussion regarding an issue that is often overlooked in the discussion on what we should do with the projected 10-year estimated, or guesstimated, surplus.

I am told by sources that know a lot more about how the economy works than I do that the current surplus estimate of \$2.9 trillion over the next 10 years, \$1.9 of which is in Social Security, which I think we have all agreed on both sides of the aisle we should not touch, but that other \$1 trillion that we are arguing over as to what is the best use of it, is really a figure that is quite tenuous.

In fact, I am told that if we take four of the assumptions that were used by

the Congressional Budget Office to come up with that estimate of \$2.9 trillion and we adjust those four assumptions only very slightly, the surplus would change from \$2.9 billion over 10 years to a deficit once again.

Those four factors that were mentioned are: if, instead of assuming the employment rate that the CBO assumed, if employment simply ends up being 1 percent less than they estimate, in other words, if the unemployment rate is 1 percent greater than the CBO estimates, it has a significant impact on the surplus.

If spending goes up over the next 10 years, Federal spending, with inflation, rather than being down at the levels that we are struggling to maintain that were set in the balanced budget act of 1997, then part of that surplus will disappear.

Mr. SHERMAN. The gentleman is talking about a budget plan to try to keep all Federal expenditures at the same nominal levels without increasing them for inflation. I think we should note that the Speaker has said again and again that we would pass all the appropriations bills before the August break. But the Republican majority has shown that they cannot meet those limited spending objectives. That is why they are sending us home without passing the appropriations bills and that they have now had to define the census as an unforeseen emergency and fund it outside of the budget caps.

Under those circumstances, does the gentleman think there is a significant risk the expenditures that will be voted over the next 10 years will exceed the no-increase-for-inflation straight line that the Republicans have used in their budget estimates?

Mr. TURNER. Well, it would seem to me very likely that that would be the result. And I, too, share the gentleman's concern with the double set of books that the Republican majority has begun to keep over the last couple of weeks just to try to show that they can stay within the budget caps of the 1997 Balanced Budget Act.

As we all know, if we declare something around here as an emergency, we do not have to count it against the caps. But one thing to keep in mind: every time somebody stands up and says, I want to declare this spending an emergency, they are taking it right out of the Social Security Trust Fund.

And the truth of the matter is, if we have things like the census declared an emergency, I think we are committing fraud with regard to the way we keep the Federal books. I mean the census is required in the United States Constitution. We do it every 10 years. And to stand up and say, well, we have to appropriate the money to do the census and call it emergency spending so it will not be counted against the budget caps is disingenuous, in my opinion.

As I mentioned, if we alter four factors in the Congressional Budget Office

assumptions about the \$2.9 trillion surplus, it disappears. I mentioned two of them a minute ago.

If unemployment is simply 1 percent higher than they estimated over the next 10 years; if spending goes up with inflation rather than at the artificially low estimates that we have under the current estimate; if the gross domestic product, a fancy word that I am not sure I completely understand, simply grows at seven-tenths of 1 percent less than the Congressional Budget Office estimates; and, finally, if Medicare spending simply goes up at the same average annual rate that it has gone up since 1972; if all four of those things happen to turn out to be true, there is once again a deficit. There is no \$2.9 billion surplus; there is a deficit over the next 10 years.

I think it is often overlooked in this debate, as we argue about what to do with the surplus, that the threshold question should be will there really be a surplus. I hope there is, and I hope the economy stays strong; but to gamble our economic security, our health care security, the security of Social Security, all on an estimate that may turn out to be completely wrong is the height of fiscal irresponsibility.

Mr. SHERMAN. I would echo what the gentleman has to say.

If we are in a position where perhaps we will have an extra trillion dollars in general funds, not to mention the necessary buildup in Social Security, as the gentleman pointed out, this \$2.9 trillion surplus, \$1.9 trillion of the surplus, is just building up funds that we are going to need when people the gentleman's age and my age are going to retire, so that only \$1 trillion of the estimated surplus is in the general fund, the one funded by regular taxes for regular expenditures.

If we are in a situation where we do not know whether that surplus is going to come in as projected, then we have two choices: we can adopt a plan where we say we hope it will come in and if it does, we will pay down the debt; or we can say, we hope it will come in, but we are going to spend it before it comes in. But the method that is most likely to lead to higher unemployment, the method that is most likely to lead to a decline in the growth of our gross domestic product is to adopt a fiscally irresponsible plan and then watch the markets respond, watch interest rates creep up, watch investment decline, watch unemployment go up.

So to act as if the surplus is certain is the best way to put it at risk. And that is another reason why the Republican plan is so fiscally irresponsible.

Let me now focus on the content of the tax cut, because even if we did not believe in fiscal responsibility, even if we thought we should have an \$800 billion tax cut exploding up to \$3 trillion in the second 10 years, is this the right kind of cut to have?

Let us look at the content. First, the Republicans promised to deal with the marriage penalty; and yet, and this is an interesting quote, the Family Research Council expressed its disappointment at the paltry marriage penalty relief found in the Republican tax bill. James Dobson, a man who has not ever offered to give me an award, I doubt he has offered to give the gentleman from Texas an award, went on radio to express his profound disappointment at the paltry marriage penalty relief in the Republican tax bill.

That being the case, we should look at the Democratic bill, the bill that costs less than a third of the Republican bill's cost. But somehow, with less than one-third the tax cut, the Democrats provide more marriage penalty relief than the Republican bill.

Let us look at the issue of school construction. We have seen the need to reduce class size around this country. We need our kids to get the best possible education. Well, if we are going to have smaller class sizes, then we need more classrooms. Both sides of the aisle have recognized that the Federal Government, through the tax code, should try to make it easier for local school districts to finance school construction. But in their bill, that is three times as expensive as the Democratic bill the Republicans provide only one-third of the help to local school districts. Three times as expensive but only one-third the help.

And what kind of help do they provide local school districts? What they do is change the arbitrage rules. Well, what does that mean? It means that this is the only help they provide schools. This is the help. They tell every school district in the country, look, go issue tax-free bonds. Borrow the money at a low interest rate, and then for 4 years take that borrowed money, borrowed at a low interest rate, do not use it to build schools yet, but go play the market. Go invest it the way Orange County did right before Orange County went bankrupt.

The only help they provide local school districts is to give them a free plane ticket to Las Vegas and to invite them to put the school bond money on the crap table. And they say they will allow school districts to do this and that is how we will help school construction.

How do the Democrats help school construction? We simply provide three times more the Federal help, and we do it by saying the Federal Government will pay the interest on the school bonds. No risks, no arbitrage, no invitation to local schools to sell bonds today and to go into the stock market and the bond market and buy derivatives and hope they can make a profit. Just real help by paying the interest on the bonds.

□ 1545

The Democratic bill, about 30 percent the size of the Republican bill, makes the R&D tax credit permanent. But the Republican bill turns its back on high-tech industry and says we will give them the R&D credit for a few more years and then we will turn it off.

The Democratic bill provides for education, saying that employers can provide for education for their employees without the employees being taxed, whether it is graduate school education or whether it is undergraduate education or technical education.

Yet, in a bill that costs more than three times as much, the Republicans cannot find room to allow for employee education.

Well, what do they spend their money on, \$800 billion in the first 10 years, \$3 trillion in the next 10 years? How is it all spent? Not for married families. Not for school construction. And not for ordinary working families in this country.

Because, in fact, they provide over 50 percent of the tax relief to the top one percent of Americans' income and to giant corporations.

Now, in many of the speeches on this floor, the numbers stated are not quite as sharp as the ones I related. And that is because the other speakers on this floor have tended to ignore the corporate tax provisions.

But if we look at how much goes to the top one percent in income, 45 percent of the benefits plus roughly 10 percent of the benefits going to giant corporations, we will see why there is so little room in the Republican tax bill to help education or to help marriage or to help working families.

Let us talk a little bit about the breaks that they give giant corporations. They provide a special provision dealing with the interest allocation rules for multinational corporations.

Well, what does that all mean? What it means is they provide \$24.8 billion in tax relief to those corporations that take their shareholder money and invest it in factories overseas, shut down their domestic production, invest equity capital overseas, and share in a \$25 billion tax reduction.

That provision will not create jobs in America. It may create a few extremely poorly paid jobs overseas. But it is not just \$25 billion in the first 10 years. It is one of those exploding tax cuts that grows to nearly \$50 billion in the second 10 years.

Furthermore, the new Democratic coalition put forward the idea that we eliminate the estate tax for all but the one percent of the richest families in America and that we do it in a way so that the families do not have to prepare long estate planning documents, none of the bypass trusts, none of the trust tax returns, none of the complication of the lives of widows and widowers that has become standard

among upper middle-class seniors. Just complete relief on the first \$2 million.

But that is not good enough for the Republican majority. They forget the derivation of the word "millionaire," someone who inherits a million dollars.

So they come here and they say, well, if they inherit a million dollars, there should be no tax. I agree. Inherit \$2 million there should be no tax. I agree. And then they say if they inherit a billion dollars, if they happen to be the lucky unborn son or daughter of Bill Gates and they inherit \$10 billion, they want no tax.

That is why their package is so expensive but they cannot provide relief to married families and they cannot help school construction.

Not only is the size of the Republican tax bill fiscally irresponsible, but the content is the most extremely regressive that I have ever seen.

I notice that one of my other colleagues has come to the floor and requested that I yield to her.

Mr. Speaker, I yield to the gentleman from North Carolina (Mrs. CLAYTON).

Mrs. CLAYTON. Mr. Speaker, I thank the gentleman very much for yielding. I appreciate that so much.

I had the pleasure of observing the discussion of the gentleman from California (Mr. SHERMAN) and the same topic he was talking about was very much on my mind and in my heart.

I appreciate the gentleman taking the leadership and getting this time and explaining so vividly not only the unreasonableness but the contradiction of this big, huge tax bill provision that we just passed in the House last week and how that is in contradiction of the principle that both sides say that they want to do.

They say, and we agree, the Democrats and Republicans agree, that we want to protect Social Security, we want to reform Medicare, and we also agree we want to pay down the debt.

Well, we cannot spend the monies twice. The great surplus that we are so blessed to have in this country is not there to be spent time and over and over again. So they either do these things that they say they want to do or they indeed give this big tax bill.

I just want to thank my colleague for explaining this. With his background as a CPA, he can put these details in such a vivid way that people begin to understand the reasonableness.

I, too, want to reduce taxes. I think it needs to be targeted. It needs to be targeted for those families that are having health care problems long-term, those who are having problems in terms of needs of educating their kids and day-care.

Also, I think we do need some relief on inheritance tax. We raised it last time, and we need to raise it again. And raising it to \$2 million is reasonable and moving in the right direction.

But the tax cut needs to be targeted and it certainly needs to be affordable and we need to balance that.

So I have come to the floor to participate in this discussion to say that there are priorities for spending and there are priorities for tax reduction that should be consistent with us giving everybody an opportunity in America.

We just should not give a tax break for the one-third or the richest one-fifth or give tax breaks to the one-third all over. We should make sure those are well-crafted, targeted tax relief.

More importantly, we should be able to afford it. Mr. Greenspan said over and over again, yes, he does not object to a tax cut. But it should be not in this environment when it is being proposed in an environment where we do not even have the surplus realized yet. The surplus that they are talking about is based on a projection for it to happen.

Actually, my colleague and I served on the Committee on the Budget and he and I know that the surplus that we are talking about for this year, by and large, is as a result of people paying their payroll taxes, going into the Social Security. So if we give this big tax break, guess what happens? We cannot spend it twice.

When we go on those great emergencies, guess what happens when we take things off of budget? It indeed comes from the surplus.

So I just want to commend the gentleman for bringing a very factual, reasonable discussion. This is not a rhetorical discussion. This is a factual, reasonable discussion how insane this tax cut is, how unreasonable it is, how in contradiction we put these principles, saying on the one side, Americans, we want to protect Social Security, we want to reform Medicare, we want to pay down the debt but, at the same time and in the same breath, we are going to give almost \$800 billion.

Yes, we need a tax cut. But we need it to be targeted and we need it to be affordable. We also have spending priorities. Our education of our kids. Our senior citizens are without drug prescription opportunity. There are millions of senior citizens having to debate whether they can afford to pay for their prescription or whether they can pay for the rent or buy food. These are the basic problems they have.

For those of us who now have the opportunity to be looking at the surplus, we ought to be balancing our priorities to make sure that all Americans are prosperous in this economy.

Again, I want to thank my colleague for yielding to me. I appreciate it so very much.

Mr. SHERMAN. Mr. Speaker, reclaiming my time, I thank the gentlewoman from North Carolina (Mrs. CLAYTON) for coming to the floor and for joining with us here.

I share her belief that we need tax cuts. But if we can keep this economic expansion going for another 5 years, first that will do far more for everybody's pocketbook than any tax cut. But second, we will then be able to talk about more tax cuts.

If we screw it up, if we adopt tax cuts that force interest rates up because we are fiscally irresponsible, then, first, people will suffer far more from an economic downturn and, second, we will be back here dealing with deficits.

Mrs. CLAYTON. Mr. Speaker, if the gentleman would yield further, I just want to share with my colleague, I am from rural America; and we in America are very blessed that we are having a sustained economy. But there are many of us in rural America and in the inner cities that are not prospering as much as anybody else.

That is not to say we should not celebrate our prosperity. We do. But I want my colleagues to know, as we celebrate this, all of us are not eating from the same plate and the same meal and all the nutrition. Some of us are having difficulty in finding money for our schools and rural areas. Farmers are suffering.

So my colleague makes the right point. We would take this kind of in the wrong direction if we give too much of a tax break and then require us to raise taxes even greater. That certainly would be a travesty, and we should not do that.

Mr. SHERMAN. Mr. Speaker, it will take a few more years of this economic expansion for it to be felt in those places that it has not yet been felt.

My largest county, I represent a part of Los Angeles County, was lagging behind the rest of California; and only in the last couple of years has the economic expansion really has been felt in Los Angeles county. I hope very much that it is beginning to be felt in your part of North Carolina.

There is nothing more important than keeping this economy growing.

Mr. TURNER. Mr. Speaker, will the gentleman yield?

Mr. SHERMAN. I yield to the gentleman from Texas.

Mr. TURNER. Mr. Speaker, I want to join with the gentlewoman from North Carolina (Mrs. CLAYTON).

I come from east Texas. The area that I represent is still operating off the old economy. The new economy had not made it there yet. And the old economy is not doing so well in rural America and inner city America.

That is why I feel so strongly, as my colleague does, about Congress making the right choices with regard to how we handle our Federal spending, our tax cuts.

As Democrats, we believe in tax cuts and we believe in tax cuts that are aimed at the people that really need them. I think it is important for us in trying to engage in this dialogue with

the American people for them to understand that we want to see taxes go down just as much as anyone else in this body. But we want it to happen in a way that is good for the sustained, long-term growth of this country; and paying down the debt is a part of that, and we need to make that a priority.

I want to thank the gentleman from California (Mr. SHERMAN) for leading in this hour. It has been very informative to hear an individual with his background in accounting and finance talk about the details of the tax proposals that have been before this House in the last 10 days. I commend him for his leadership on these issues.

I know the gentlewoman from North Carolina (Mrs. CLAYTON) joins me as we all try to move forward together and try to accomplish things that will bring us a better future for all of our children and our grandchildren.

Mr. SHERMAN. Mr. Speaker, I have a few more examples and facts I want to quickly get into the RECORD. I promised I would wrap up just a few minutes after 4. We could, obviously, continue for another hour.

But let me first just make sure this RECORD reflects the analysis of citizens for tax justice. I mentioned it earlier that 45 percent of the benefits in the Republican package go to the top one percent of American families.

These families, on average, will save \$54,000. These families typically have incomes of over three-quarters of a million dollars a year already.

So the decision on who should benefit from this tax bill is as severely mistaken as the analysis that led to the unreasonable and fiscally irresponsible size of the tax bill.

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Finally, for those who listened to the debates just before the tax bill was adopted, from time to time a Member of the majority would stand up and say, after a Democrat had spoken, do you realize the family in your State on average will save \$3,000 or \$3,500 under the tax bill?

It sounded like a big number. Let me make sure that that is corrected. Yes, indeed, the, quote, average person in my State would save \$3,500. That is over a 10-year period. So that is \$350 a year. But that is the average person. Not the median but the mean.

Let me just explain the difference. If you have got Al Checchi, the gentleman, you may remember, who owns about half of Northwest Airlines, spent a lot of money in my State running for governor. If Al saves \$10 million on his taxes and then we have got 1,000 families in another part of my district saving \$10 on their taxes, well, that all averages up to a much higher number. The average simply looks at the huge amount of the tax break and divides it by the number of families. But the mean is when you look at the typical

average family, what do they get. And typically under this tax bill, they get about 30 cents a day.

For God's sake, let us not risk America's current and tenuous prosperity, let us not risk this economic expansion on the joy that a few will get in giving tax breaks to a very few Americans, and certainly let us not risk this economic recovery and economic expansion on 30 cents a day of tax cuts for the average American family.

MEDICARE

The SPEAKER pro tempore (Mrs. BIGGERT). Under the Speaker's announced policy of January 6, 1999, the gentlewoman from Connecticut (Mrs. JOHNSON) is recognized for 60 minutes as the designee of the majority leader.

Mrs. JOHNSON of Connecticut. Madam Speaker, I rise today to address the increasingly acute, immediate problems in our Medicare program, one of the pillars of retirement security for America's seniors. It is significant that I rise at a time when Republicans, Democrats, the Congress and the President recognize that Medicare must include a new prescription drug benefit. While I strongly agree that we need to add prescription drugs to the Medicare system, we must provide coverage prudently and fairly and not by endangering funding for other Medicare services. Medicare simply cannot tolerate the scheduled deep cuts ahead, much less the billions of dollars in cuts proposed by the President in his budget and in the outline of his prescription drug proposal. I fervently believe that we must address the current problems immediately or hundreds of providers nationwide will close their doors, creating a crisis in access to care for our seniors of unprecedented proportions.

My purpose in this speech today is not to address long-term reform of Medicare nor the crying need to provide access to prescription drugs through Medicare, as important as those issues are to strengthening this crucial seniors' security program.

My purpose is more mundane and more urgent. It is critical to assuring seniors' access to quality care now and to assuring the survival of critical community health care institutions like our local hospitals, home health agencies and nursing homes.

In 1997, Congress adopted many reforms to Medicare because it was galloping toward bankruptcy. Already in 1997, it was paying out more for services than it was collecting in payroll taxes and premiums. Medicare spending was exploding, especially in the areas of home health and skilled nursing facility costs. And as it reached the unsustainable level of 11 percent growth per year, the Balanced Budget Act reforms were adopted to cut this growth rate in half, from 11 percent to 5.5 percent, a modest and responsible goal.

Why, then, are home health agencies, nursing homes and hospitals begging us to hear their problems and pleading for relief? Alas, it is simple. The projected savings from the Balanced Budget Act were \$106 billion over 5 years. The real savings that will be achieved are about \$100 billion above that. While the goal was to slow the rate of growth to 5.5 percent, growth has dropped to 1.5 percent, though the number of seniors and frail elderly continues to grow.

I believe we face a crisis and must act now. While the data from the real world has not reached the shores of Washington, in the real world in my estimation the crisis is immediate and beginning to endanger the quality of care available under Medicare. Seniors' access is at stake and the very institutions we depend on for care are at risk.

There are five causes for the very serious problems we face in Medicare:

First, though a relatively minor factor, important mistakes were made in writing the Balanced Budget Act reforms.

Second, bureaucratic problems have developed and are delaying payments to providers for many, many months.

Third, the reform bill included expanded funding and authority to eliminate fraud and abuse. As a result, the Inspector General has not only identified and eliminated a lot of fraud and abuse but has changed many rules, delaying payments unmercifully and unfairly in my mind. Further, the fear of the Inspector General is causing some providers to cancel negotiated discounts and pushing costs up as reimbursements are going down, all because the Inspector General is ignoring old rules and refusing to clarify new ones.

Fourth, the fact that rates are based on data that is 4 years old is exacerbating our problems dramatically.

And, fifth and possibly the most significant cause of the looming crisis is the unintended and unanticipated consequences of the interaction of the many changes in payment levels and payment systems made by both public and private payers over a short period of time.

In fairness, we have placed enormous burdens on the good people of the Health Care Financing Administration which administers Medicare and their claims processors and on the providers with the level of changes that we have enacted. It would be sheer hubris to believe that so many changes could be implemented without unintended consequences, especially as they are interacting with private sector changes of a pace and a breadth unprecedented. Not surprisingly, there are slowdowns in the payments, real mistakes to be corrected and unanticipated problems to be solved. There is no shame in the problems. The shame would be if we did not address them this Congress.

We must simply have the political courage to examine the concerns of the

providers and deal with those that are legitimate, and we must have the courage to fund the changes from the surplus we have set aside for retirement security since many of what we call surplus dollars are dollars we appropriated to spend on care for Medicare patients and that are needed by those very patients.

Some people are discouraging action and criticizing providers for whining. Not so. Go visit hospitals, nursing homes, home health agencies and physicians. Changes made and the additional cuts of \$11 billion proposed by the President in his budget will, I think, put providers in severe constraints, put many small providers out of business, and will go directly to affect access and quality of care for our seniors. We cannot expect facilities to simply absorb millions of dollars of loss without compromising their role in our communities. We cannot expect small providers that are not getting paid for many months to be able to meet payroll, provide medications and meet the standard of care we expect.

Over the August District Work Period, I encourage my colleagues to meet with providers in their district and listen to what they are going through, see what precisely they are facing and the impact the current law cuts in the HCFA administration, the administrators of Medicare, their actions are having on service availability and quality. Then make your judgment. I think you will come to the same conclusion that I have. Through many visits to hands-on caregivers, I am convinced that providers cannot survive if we do not act and the administration does not provide relief from policies that are harsh and unfair and begin spending the full appropriation provided for Medicare services.

Congress must listen up and act. The administration, HCFA, the agency that governs the Medicare program, must also listen up and act, for it will take all of us working hard and now to prevent a catastrophic loss of providers, research capability and sophisticated treatment options.

We do not need to fundamentally undo the reforms adopted in 1997. In fact, we cannot undo those reforms because we must succeed in slowing the rate of growth in Medicare. But we must act now to respond to the doubly deep cuts that resulted unintentionally from the law to preserve access to needed health care services and ensure community providers will survive.

I will now look at each sector, nursing homes, hospitals and home health agencies, to suggest administrative fixes in the way the balanced budget is being implemented and legislative changes to the policies enacted, in other words, actions that the executive branch can take immediately and laws, legal changes, that the Congress must adopt.